

The 2017 Economy

Starting to grow

January 2018

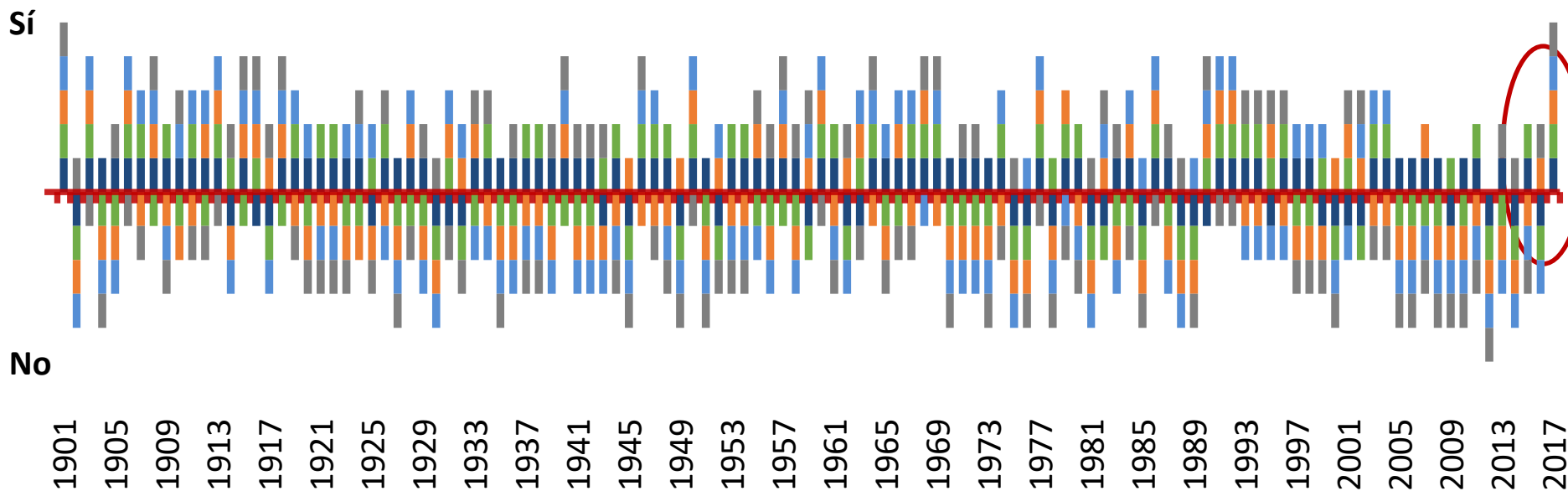


Ministerio de Hacienda
Presidencia de la Nación

2017 In Perspective

2017 was the first in more than 100 years where primary fiscal deficit and the measured as a percentage of GDP fell simultaneously, the actual primary expenditure, the Low inflation and the economy grows.

- Did GDP grow?
- Did the tax burden fell as a percentage of GDP?
- Did primary expenditure fell in real terms?
- Did inflation fall?
- Did primary expenditure fall as a percentage of GDP?

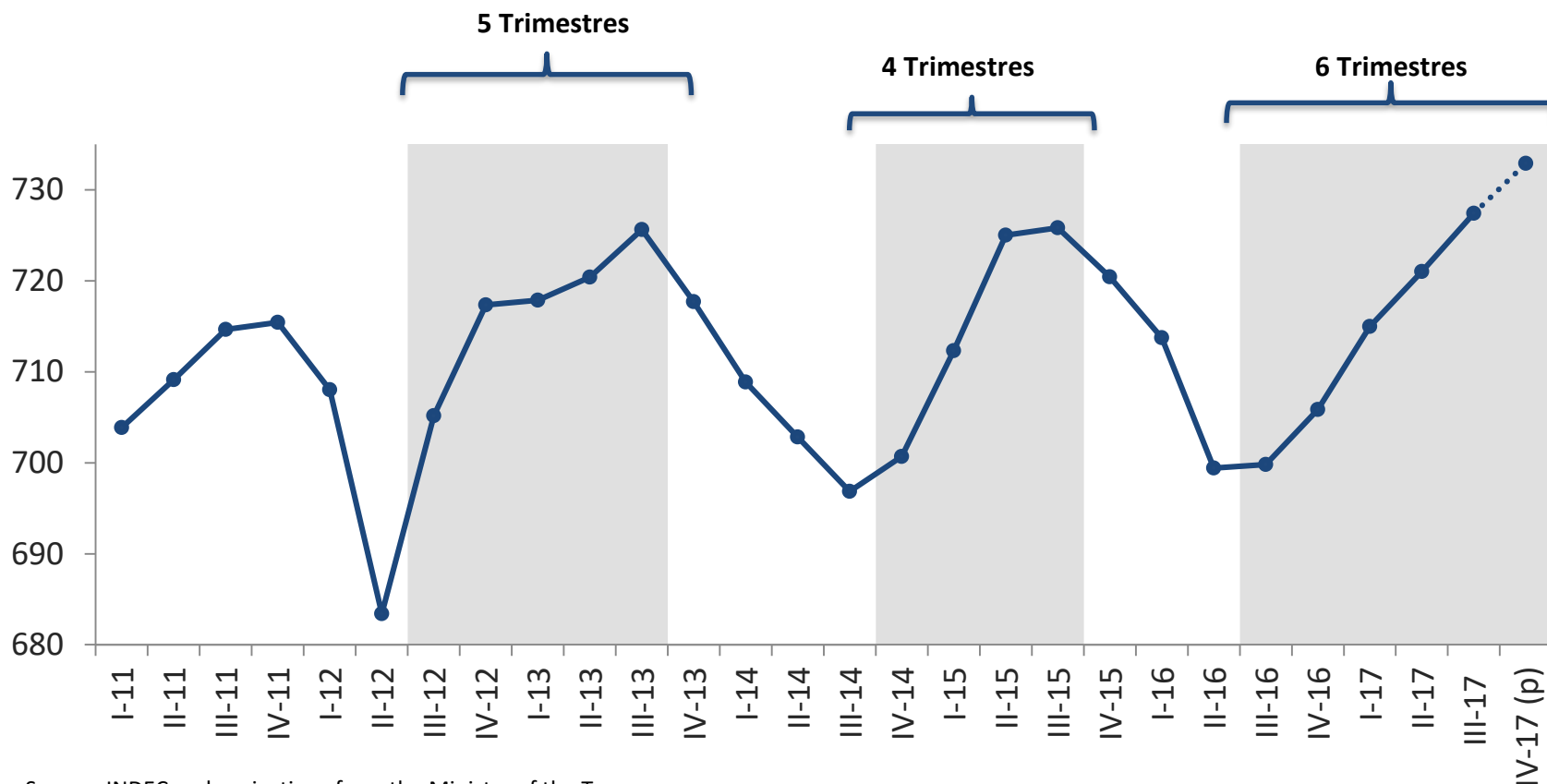


Source: INDEC, Treasury, OJF and Asoc., Institutes of Statistics of the Subnational states.

The longest expansion since 2011

There are already 6 trimester of GDP growth and we project a 2018 growth.

GDP without seasonality (in billions of pesos of 2004)

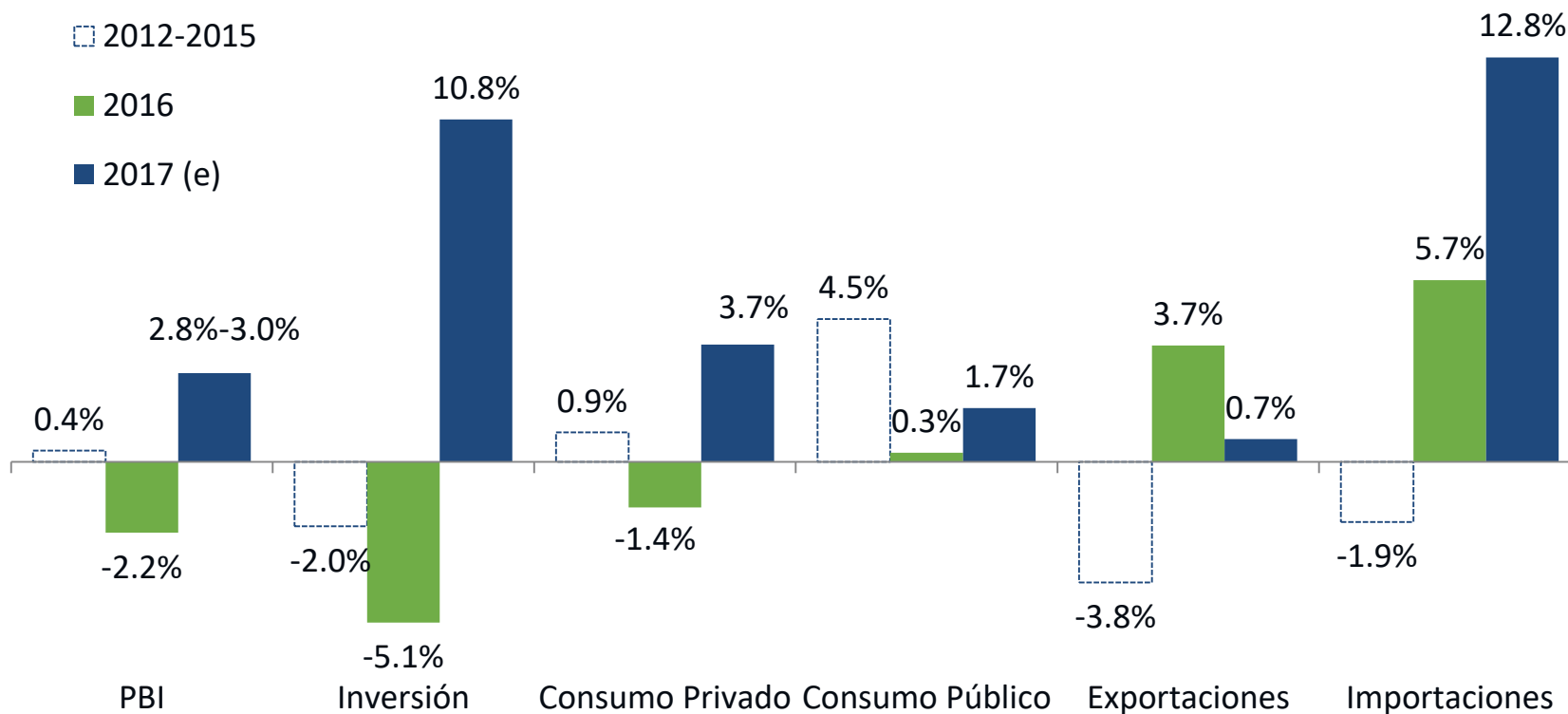


Source: INDEC and projections from the Ministry of the Treasury

Investment leads growth and is accompanied by consumption

Investment is the main driver of growth and private consumption is growing at a higher pace than GDP

Components of GDP (year-on-year variation)

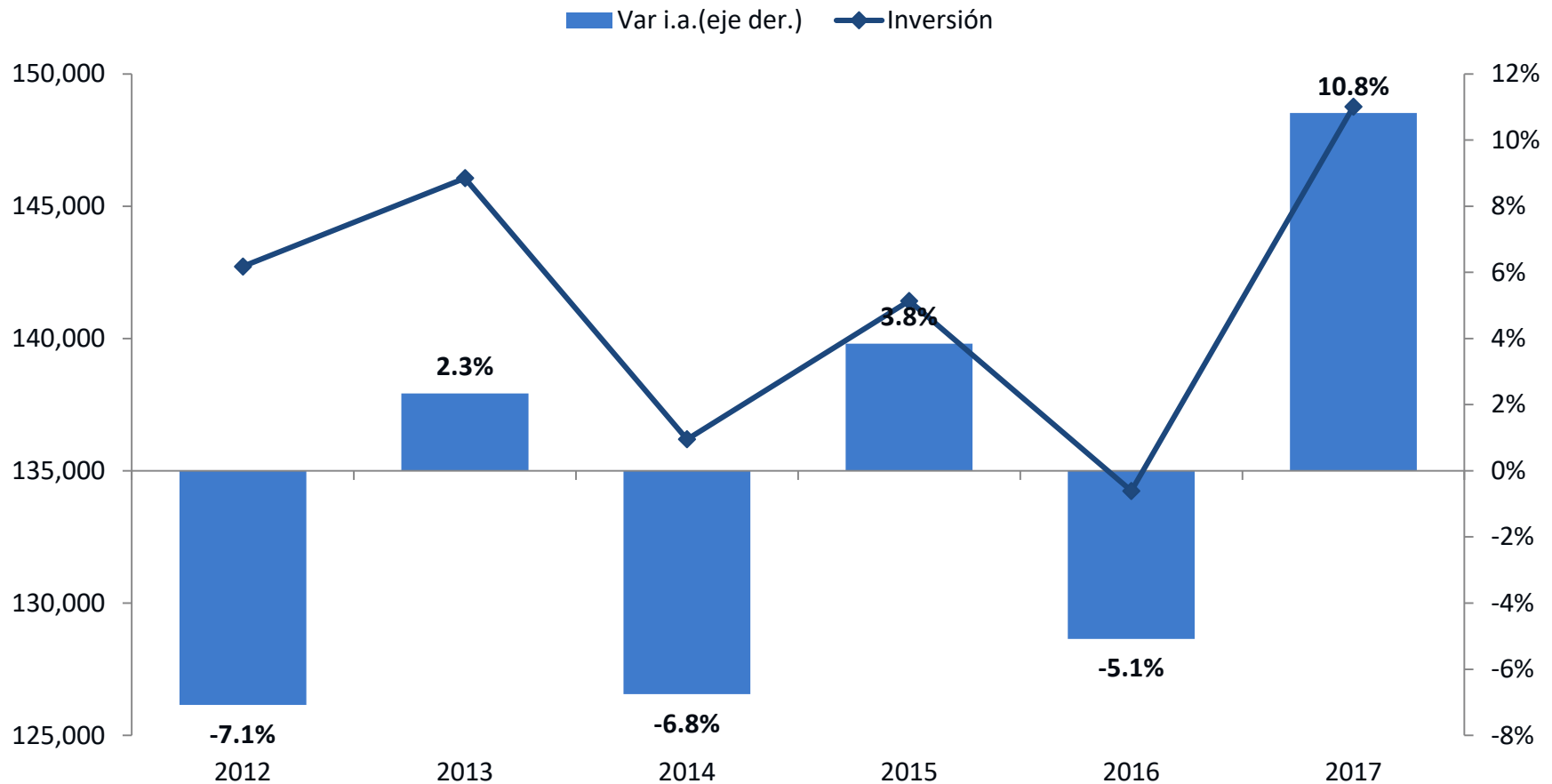


Fuente: INDEC y proyección del Ministerio de Hacienda

The increase in investment makes growth more sustainable

In 2017 the investment reached its maximum increase in six years and this will allow us to continue growing in the future.

Investment in millions of 2004 pesos and interannual variation

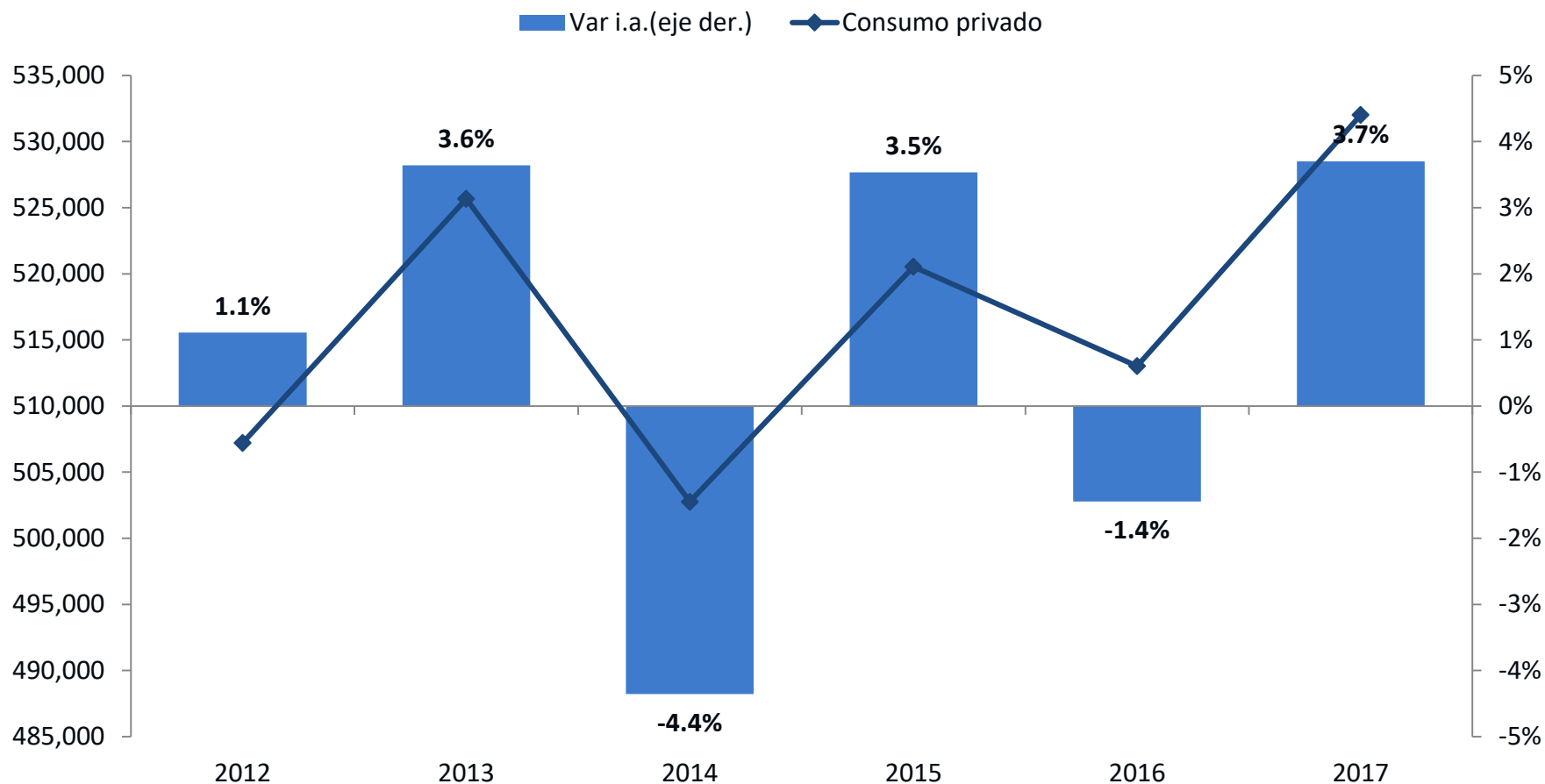


Source: INDEC and projection of the Treasury

Private consumption at record levels

Private consumption recovered in 2017 and is already at its highest historical level.

Private consumption in millions of pesos of 2004 and year-on-year variation

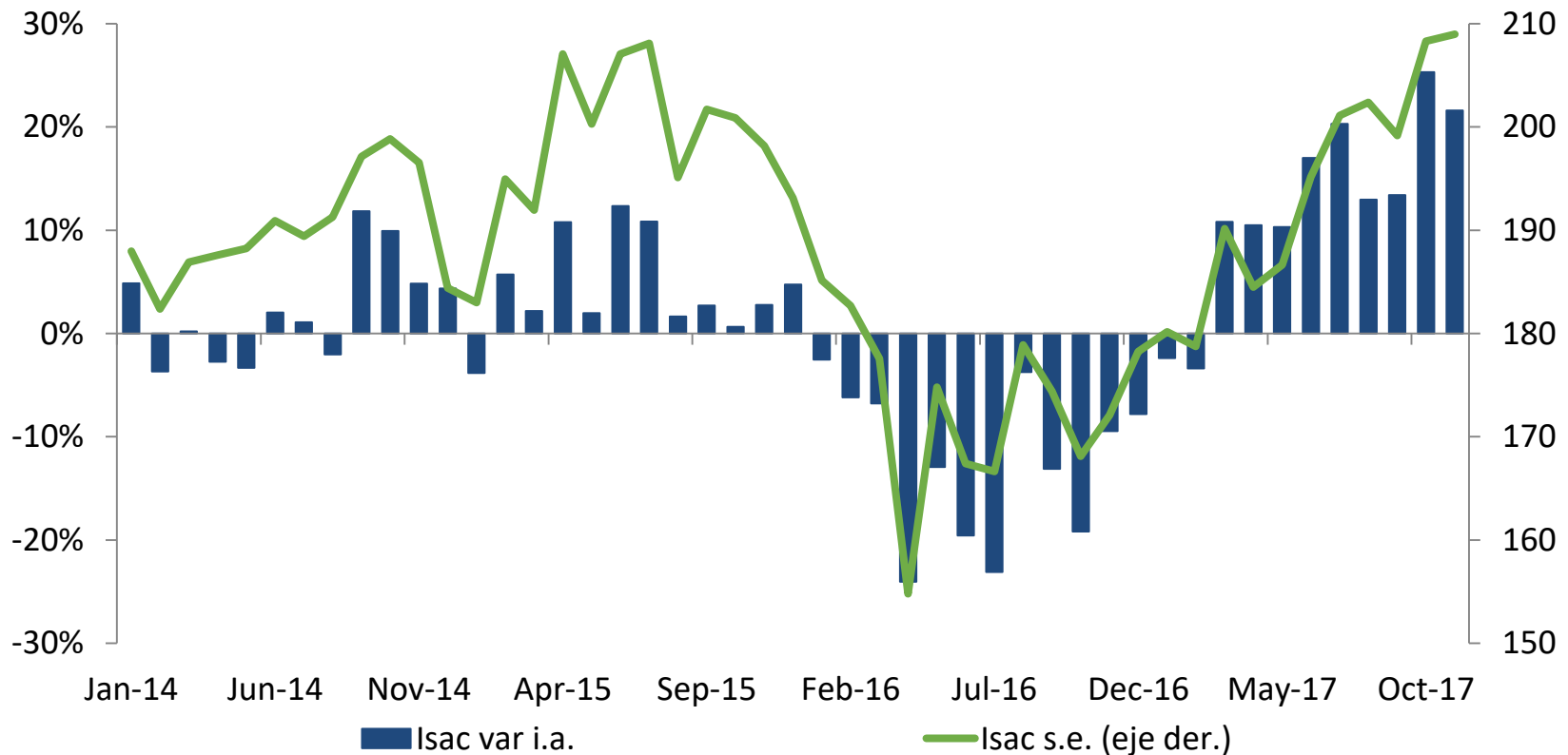


Source: INDEC and estimates and projections by the Ministry of Finance

The construction in a historical maximum

Construction is one of the most dynamic sectors of the economy. The series without seasonality is at its historical maximum level. Since March it accumulates 9 months with growth double-digit year-on-year and in October to 25.3%, the highest variation of the last 11 years.

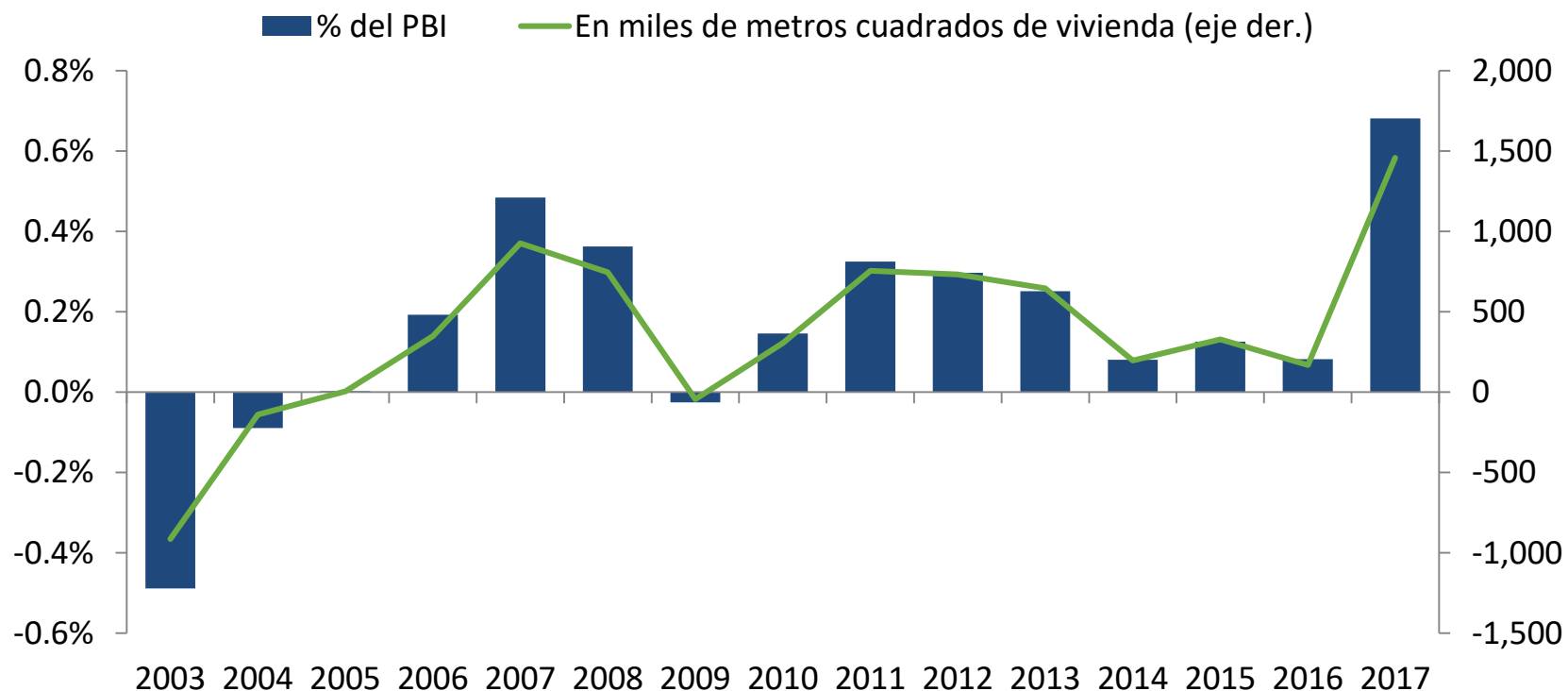
Synthetic Indicator of Construction Activity



The mortgage credit boom allows thousands of families access to own housing

In 2017 there were granted mortgage loans for 69,900 million pesos, what it meant that could be acquired, built or refurbished about 1,460,000 square meters of housing, a record historical.

New mortgage loans year (% of GDP and thousands of square meters of living place)

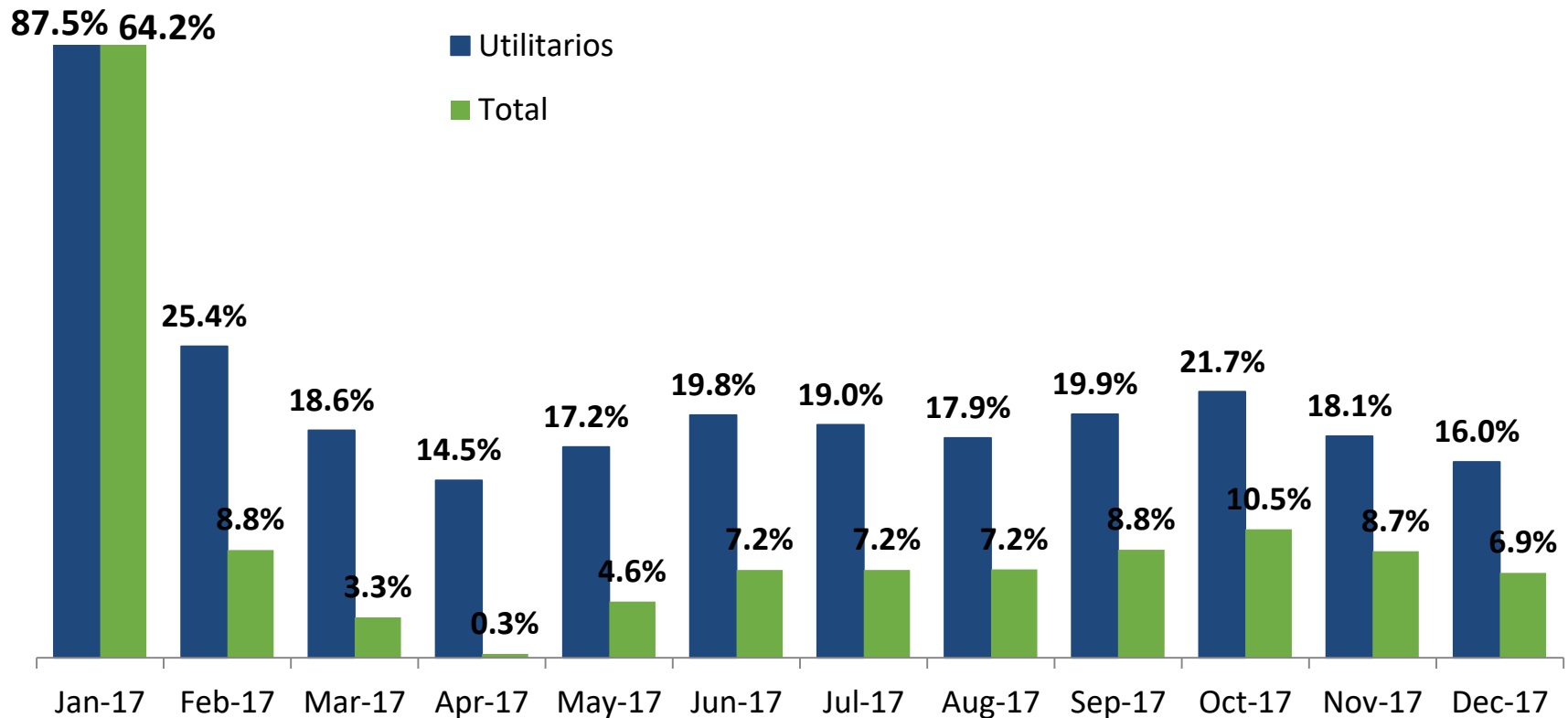


Source: BCRA, UADE, Reporte Inmobiliario y ZonaProp

Utilitarian vehicles production pushes automotive expansion

Specialization is essential for more trade. In 2017 the production of utilitarian vehicles increased 16.0% and pushed the total production of the automotive sector, which (weighing utilitarians and automobiles due to their relative price) increased 6.9% in 2017. Exports increased and the destinations diversified.

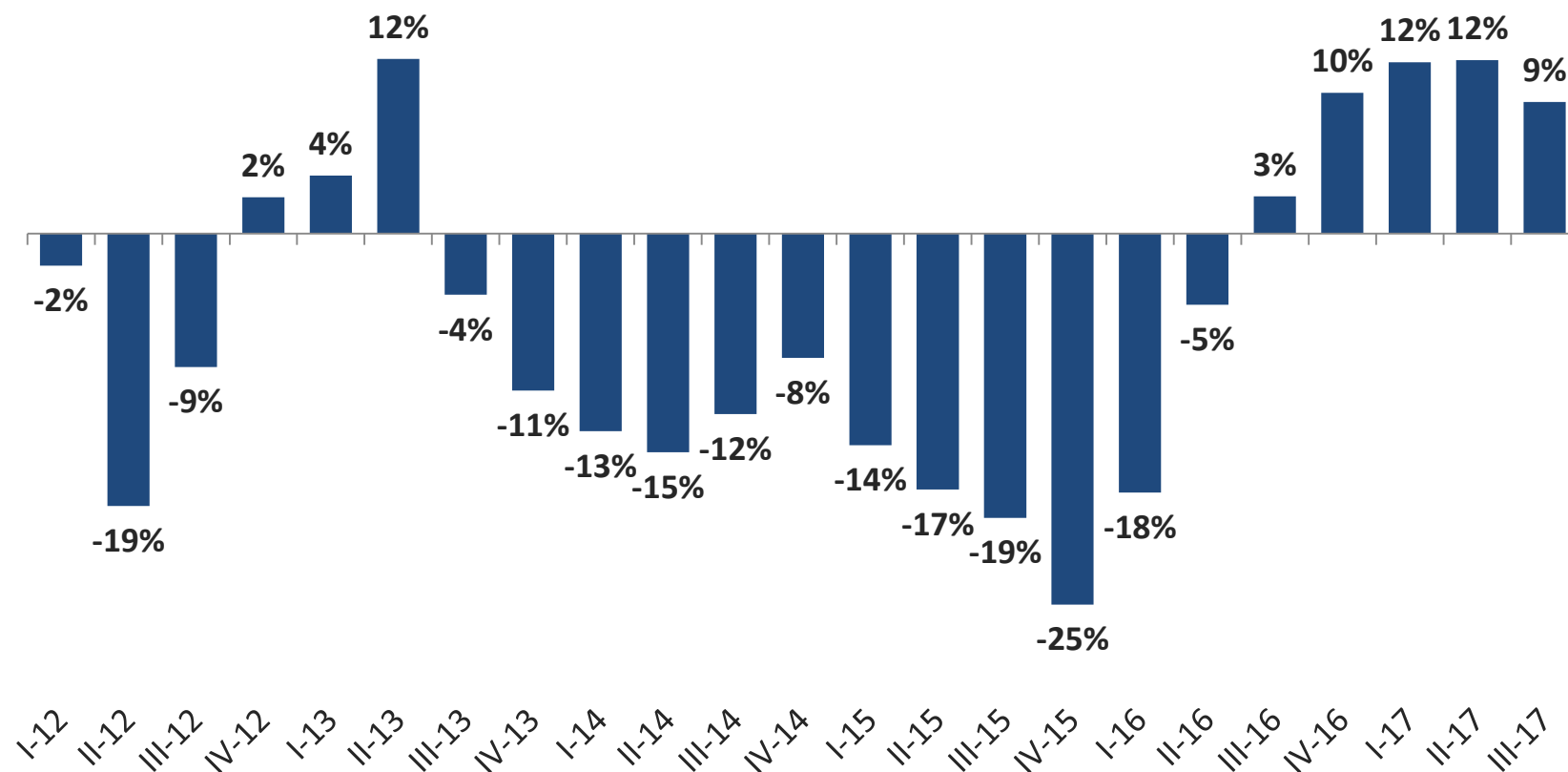
Utilitarian and total production in the automotive sector (year-on-year variation)



Industrial exports grow at the highest rate of the last 7 years and boost the sector

On the road to better insertion into the world, the industrial complex is not far behind. The exports of manufactures of industrial origin as a whole grew throughout the year.

Industrial exports in quantities (year-on-year variation)

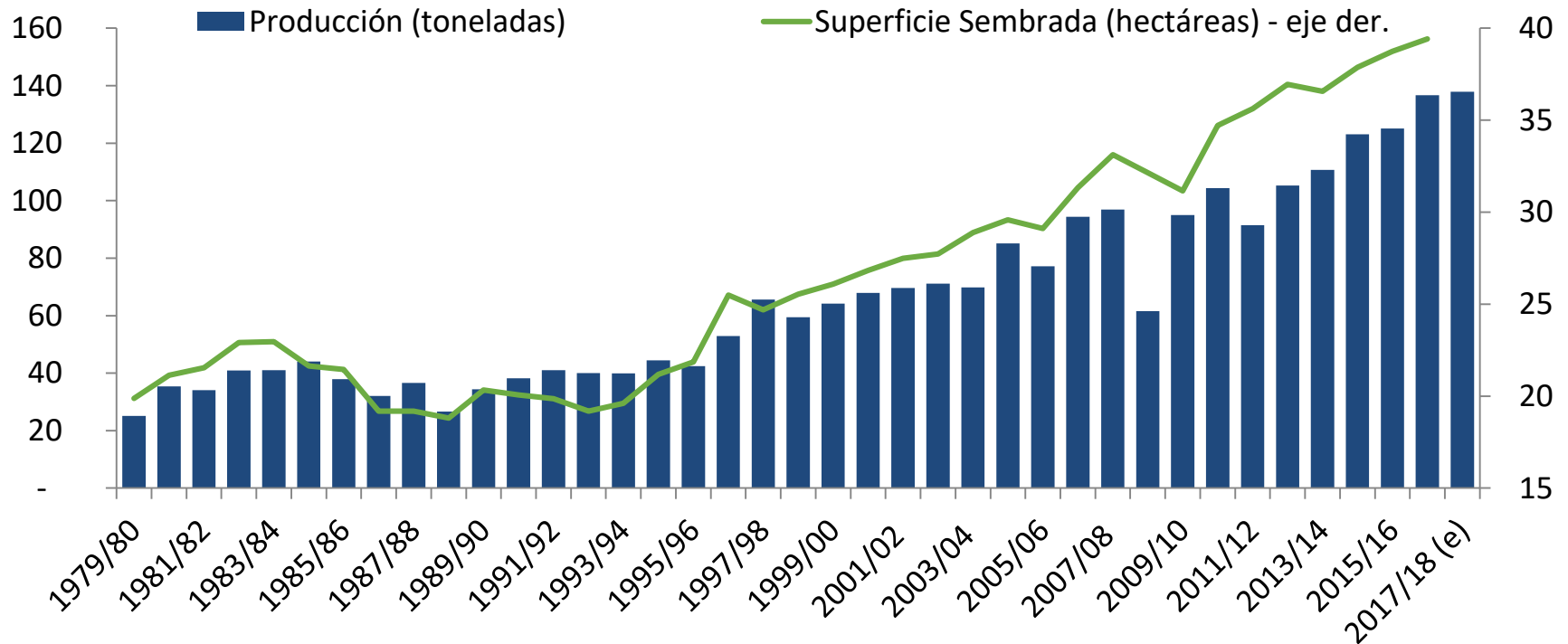


Source: INDEC

Increase in agricultural production

The agricultural sector, our main exporting complex, was one of the largest growth in the year. This is crucial for the dynamisation of domestic activity as to guarantee the sustainability of external accounts.

Production and area sown (in millions of hectares and tons)

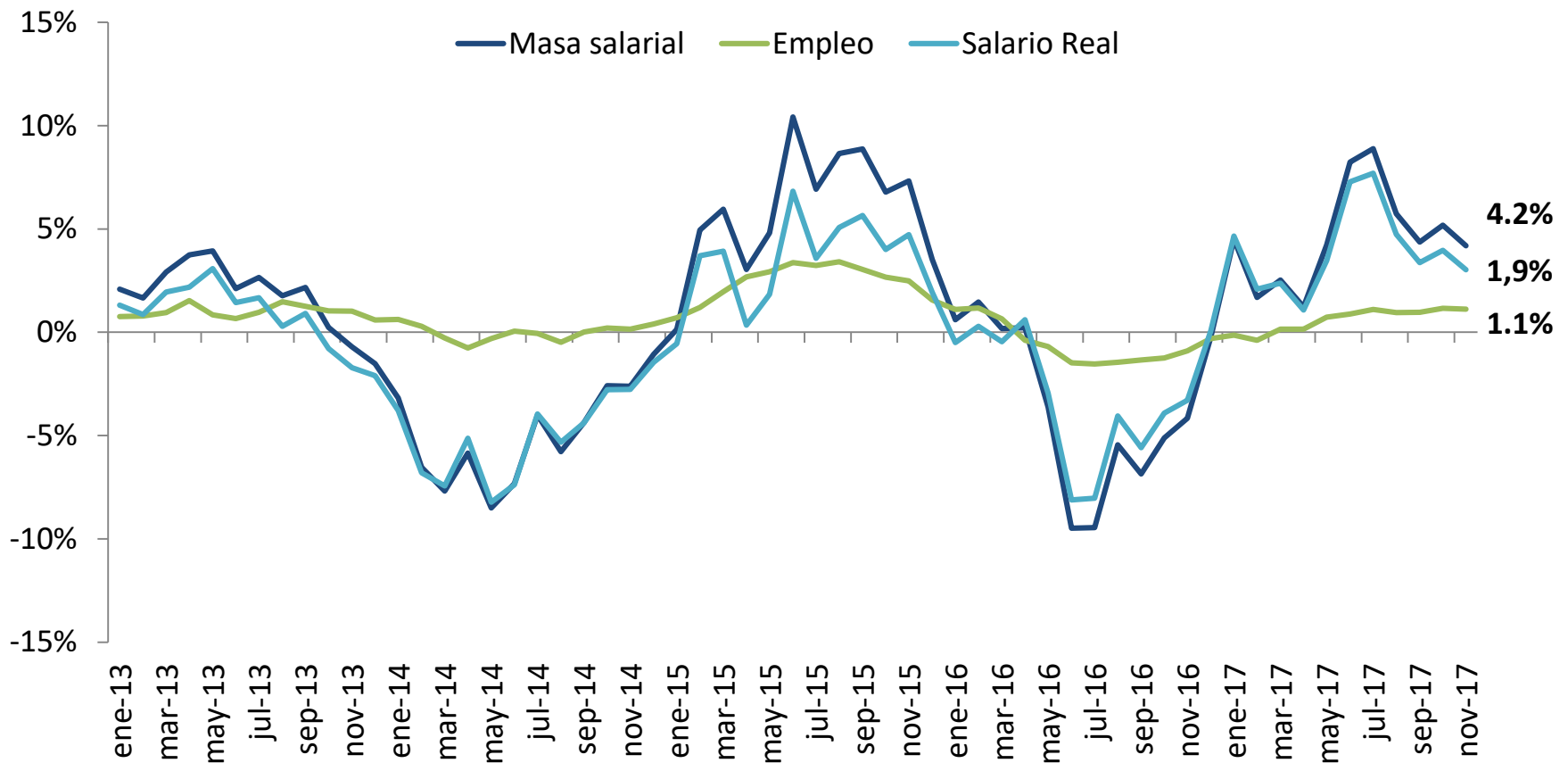


Source: Treasury

The real salary and employment grew

The real salary and employment grew. The wage bill measures the total wages that are paid and charged in the economy (the salary average multiplied by the number of workers). It grew at an average rate of 4.7% in the first 11 months of the year.

Salary mass and y components, employment y salaries (year on year variation)

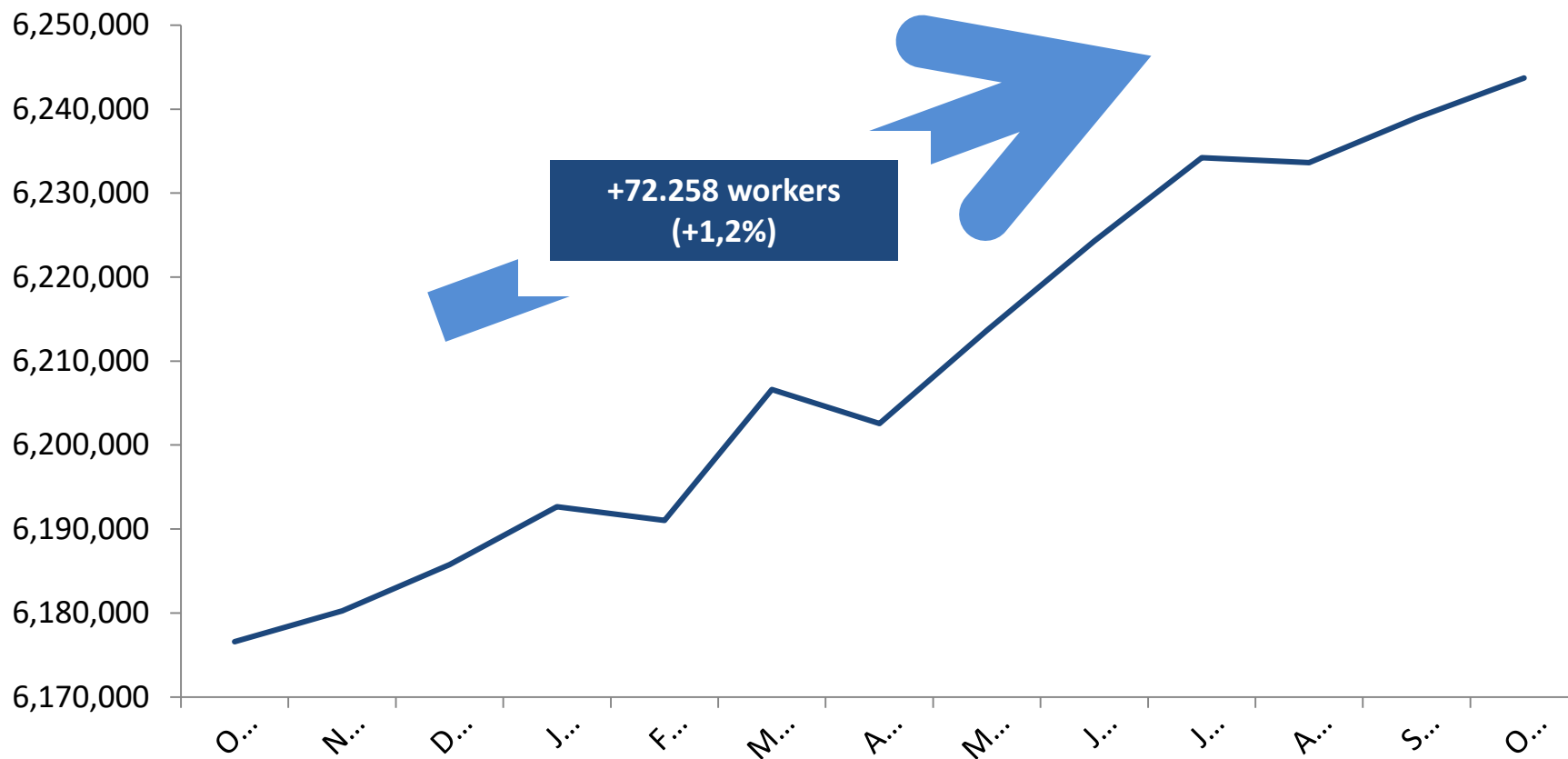


Source: Treasury

Employment grows at a steady pace

In October 2017 there were 1.2% more salaried employees registered in the private sector than a year before, and between January and October the number increased at an average rate of 0.1% per month (approx. 6.000 new employees each month).

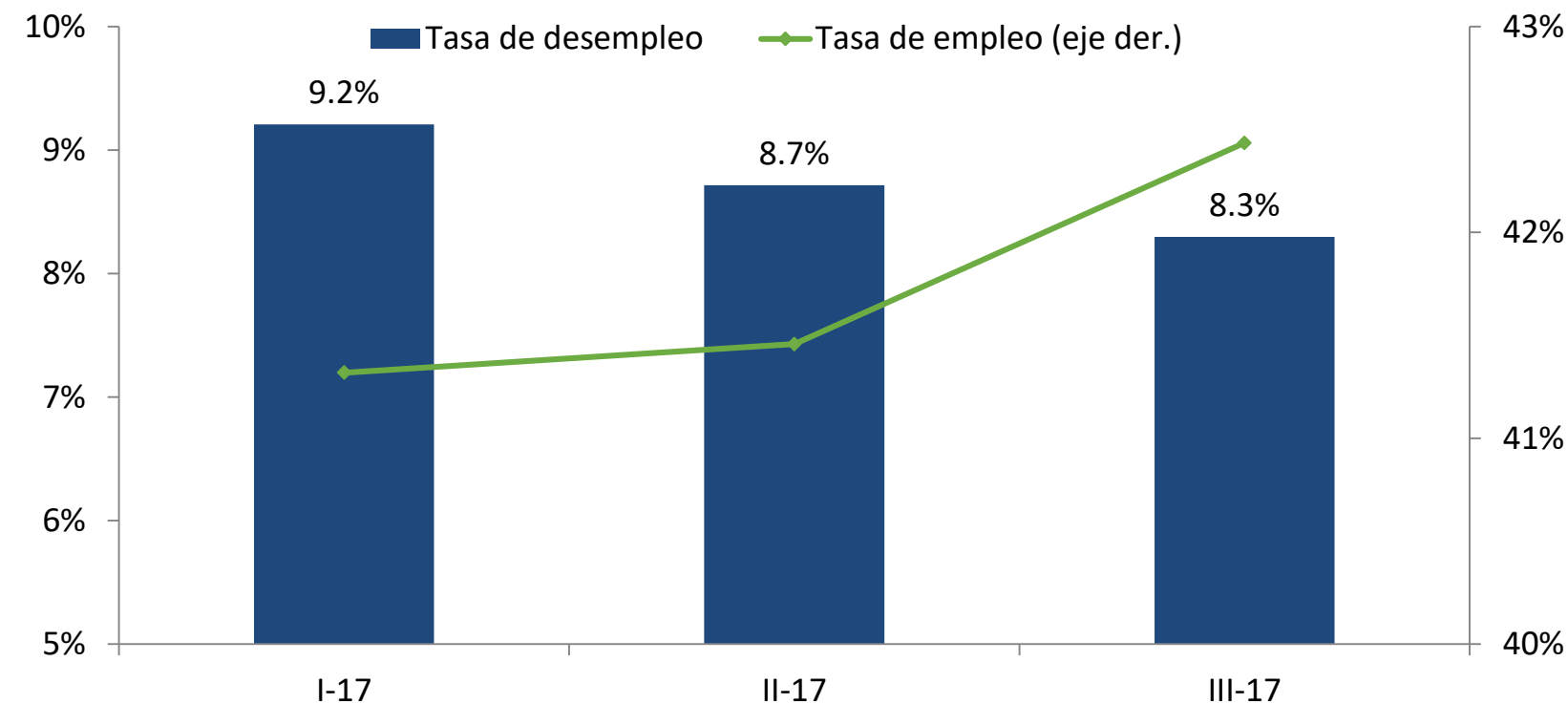
Salaried workers registered in the private sector, series without seasonality



The unemployment rate falls and the employment rate grows

The creation of employment resulted in an improvement in employment indicators. The rate of unemployment fell steadily throughout the year and in the year-on-year comparison, taking into account that in 2016 it was 9.3% (2 Trim) and 8,5% (3 Trim).

Unemployment rate and Employment rate

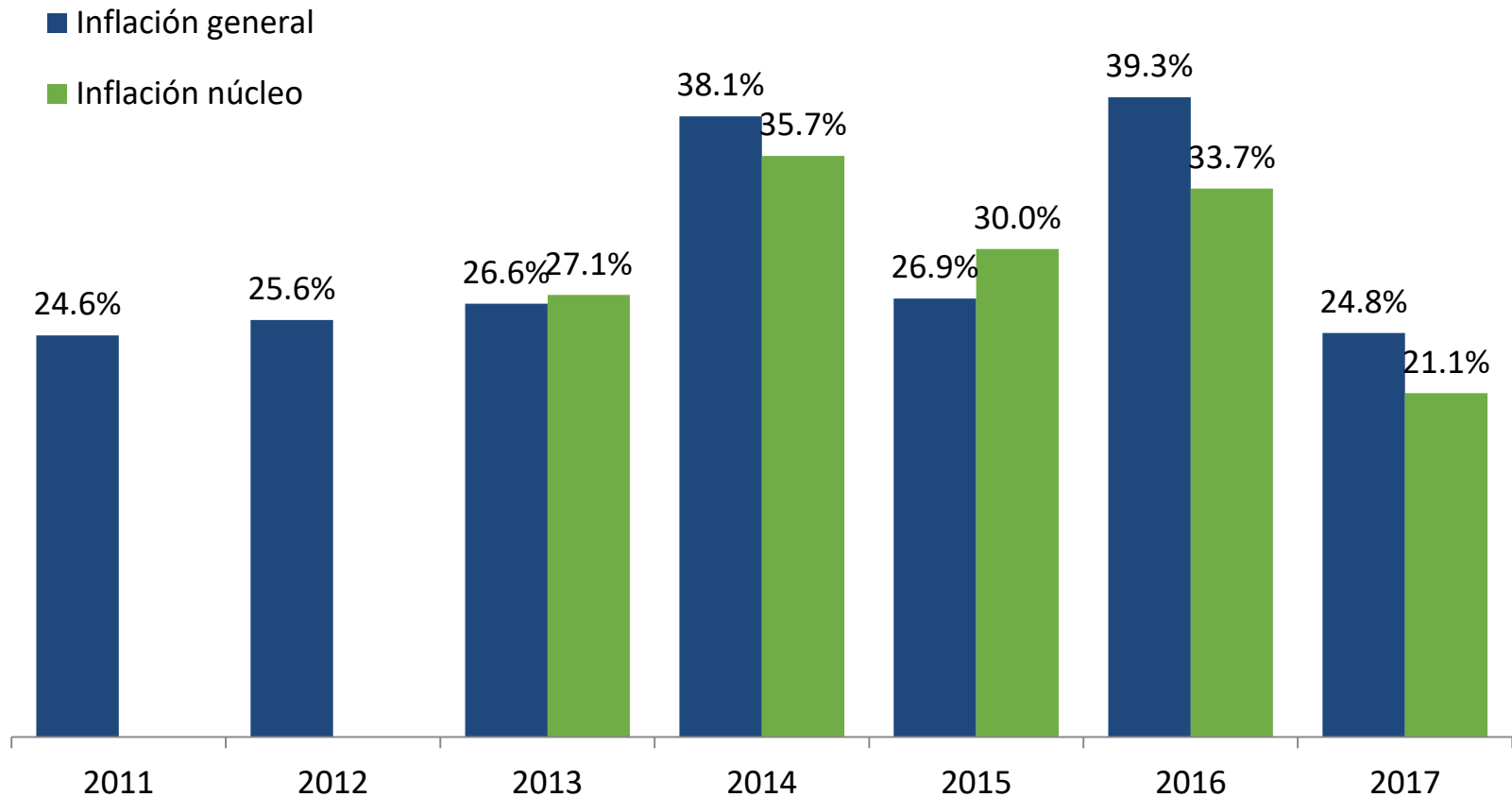


Source: INDEC

Inflation is the lowest in six years and core inflation, the minor since there is registration

Inflation is an obstacle to long-term growth and liquefies wages. While the periods of disinflation are not linear, the variations of the general and core price index decreased in the year reaching core inflation lowest since there is registration.

Anual inflation



1. The 2017 Macronomy

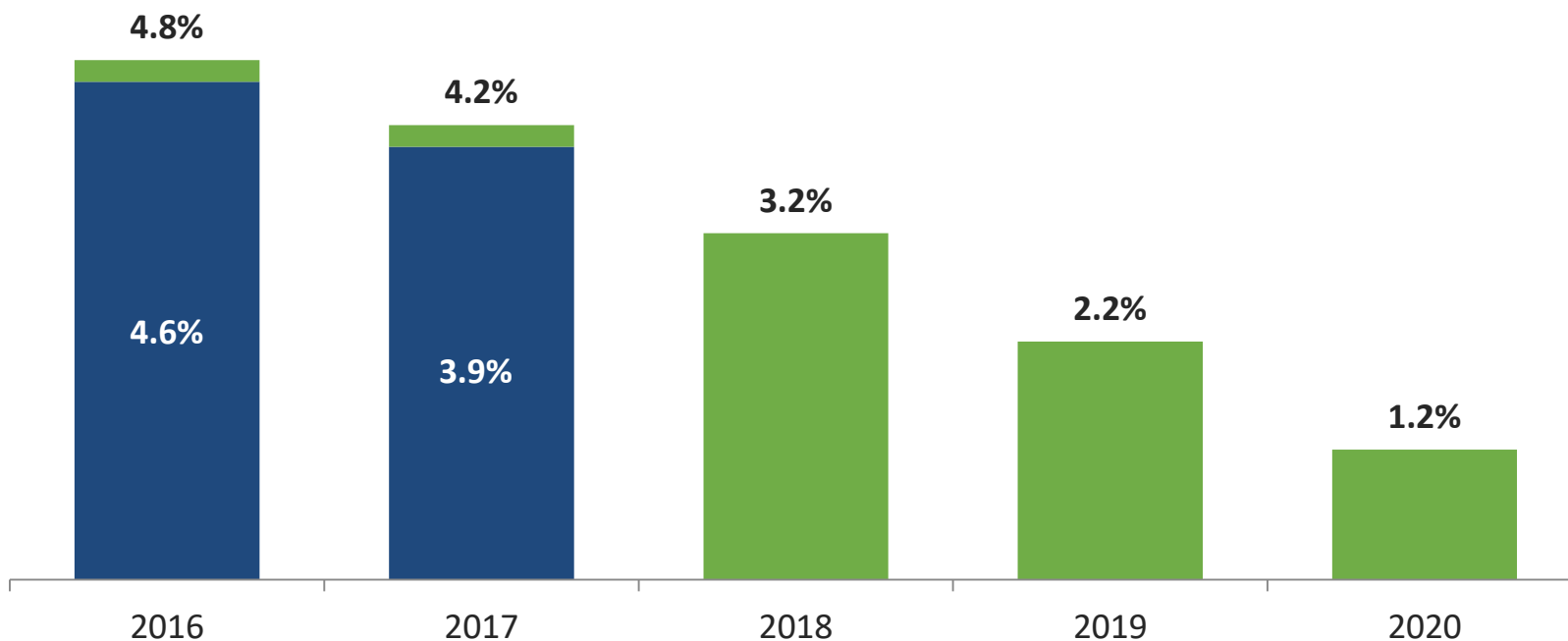
2. The Tax Policy

We have exceeded the fiscal goal

Predictability is essential. Throughout the year they overcame the quarterly goals of primary fiscal deficit without increasing the tax burden. At the end of the year, goals for reduction of the deficit for 2020, in line with the reduction of 1 point of GDP per year.

Primary Deficit (% PBI)

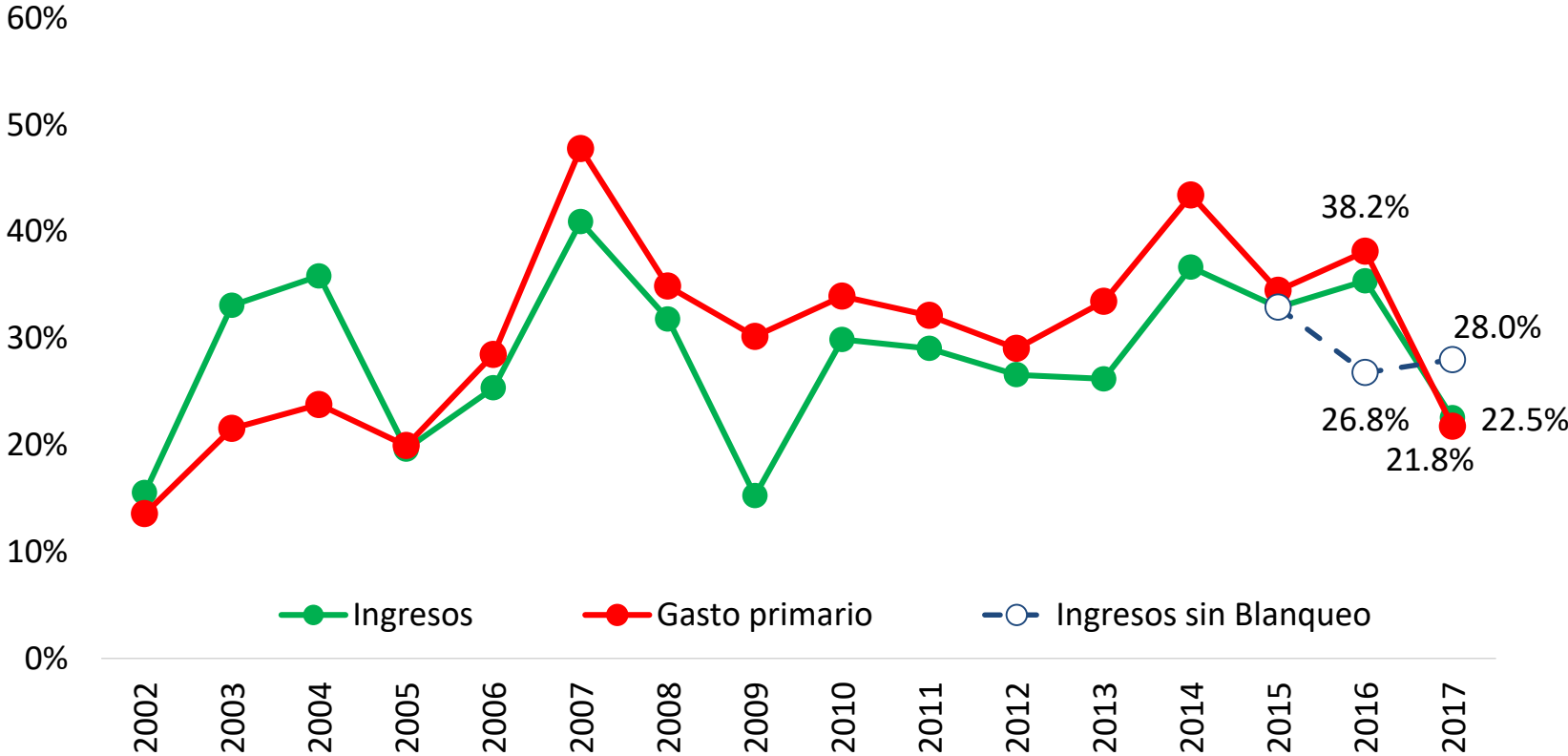
■ Déficit primario ■ Meta



Income grew more than Expenses

For the first time in 13 years, revenues grew more than primary expenditure.

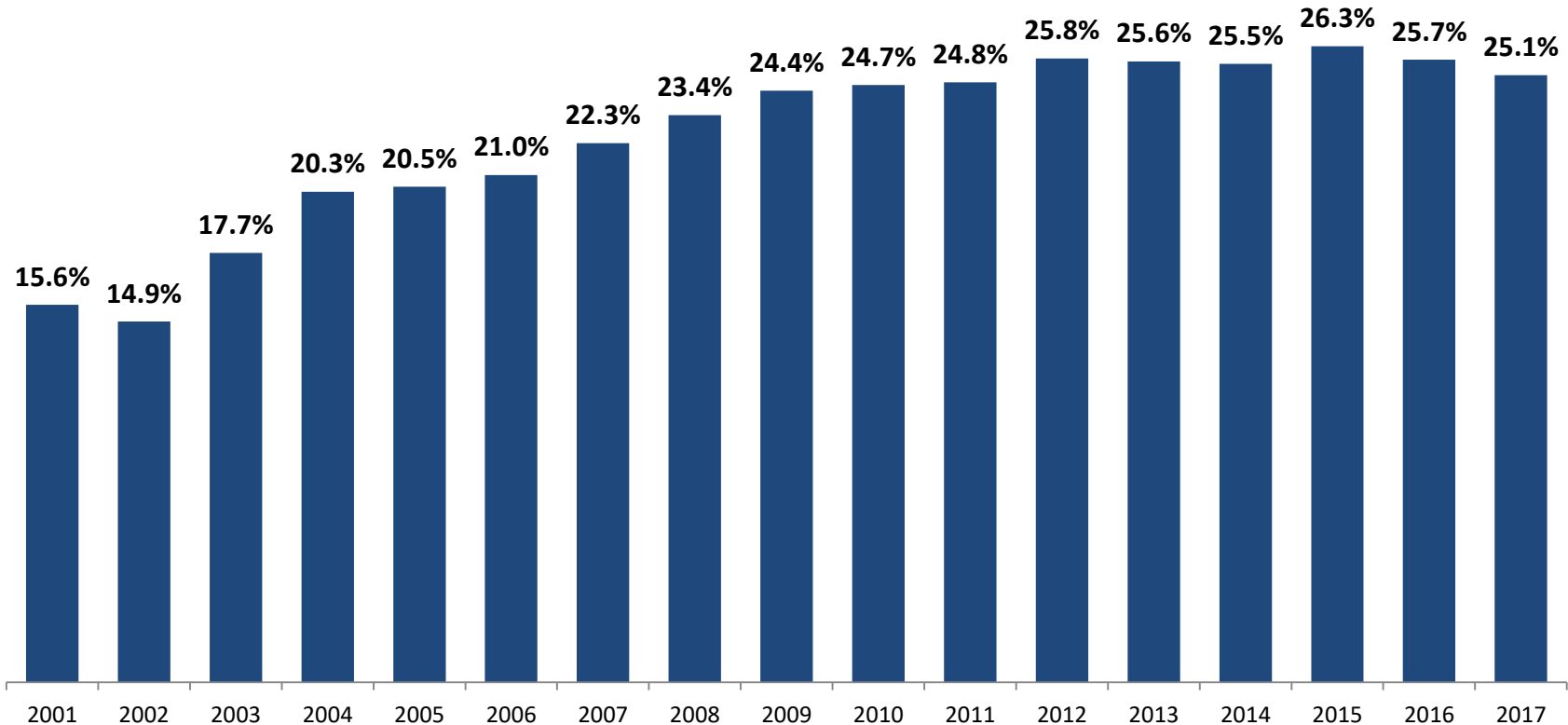
Income and primary expenditure (year on year variation)



We reduced the tax pressure for the second consecutive year

A high tax pressure discourages private investment. This year, just like last year, we lower the tax pressure after more than a decade of practically increases continuous

Fiscal Pressure (% GDP)

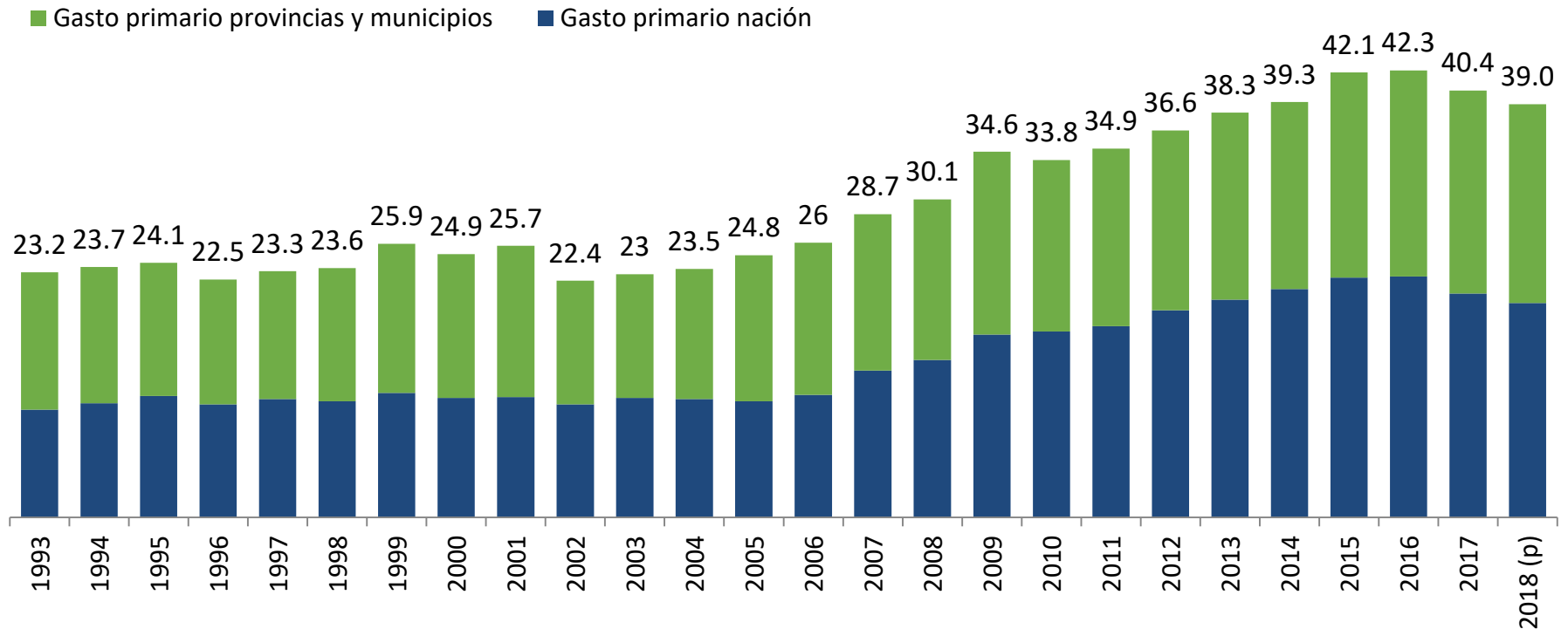


Source: Treasury. The collection includes [money laundering resources](#)..

The excessive public spending Stops to be a burden that conspires against development

A more efficient State is the key to ensuring the sustainability of public accounts and providing a frame appropriate for development. In 2017 the consolidated primary expenditure of the Nation and provinces was reduced by almost two points

Primary Expenditures consolidated (% of GDP)

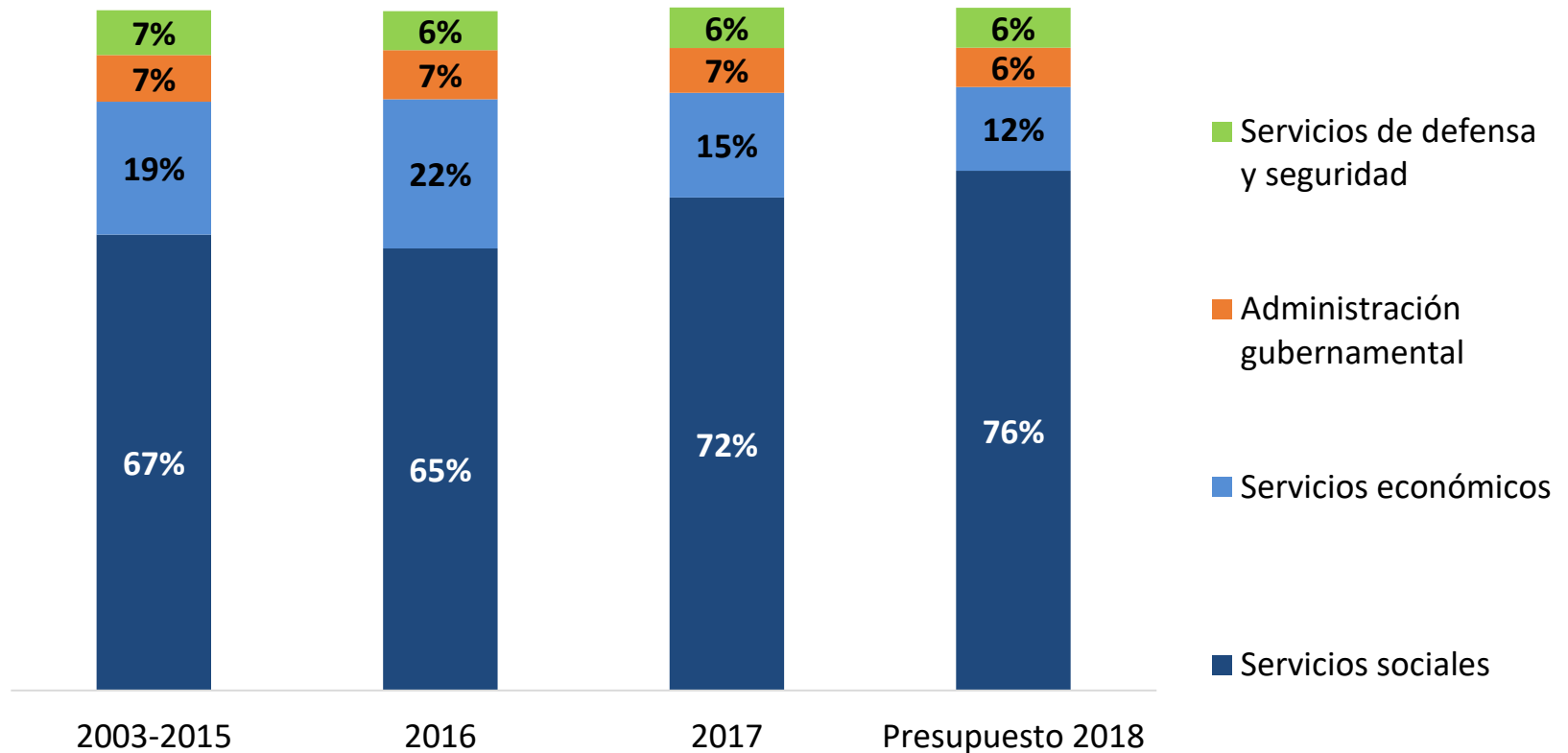


Source: Treasury

We reduced spending without neglecting the sectors of fewer resources

We are reducing spending without neglecting the most important thing. In real terms, primary spending fell, while social benefits increased. Thus, social spending represented in 2017, and will do so in 2018, the largest percentage of public spending in recent years

Primary Spending of GOP by means-function





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